

**Texas Emergency Services Retirement System
Summary of Recommendations - House**

Page I-32

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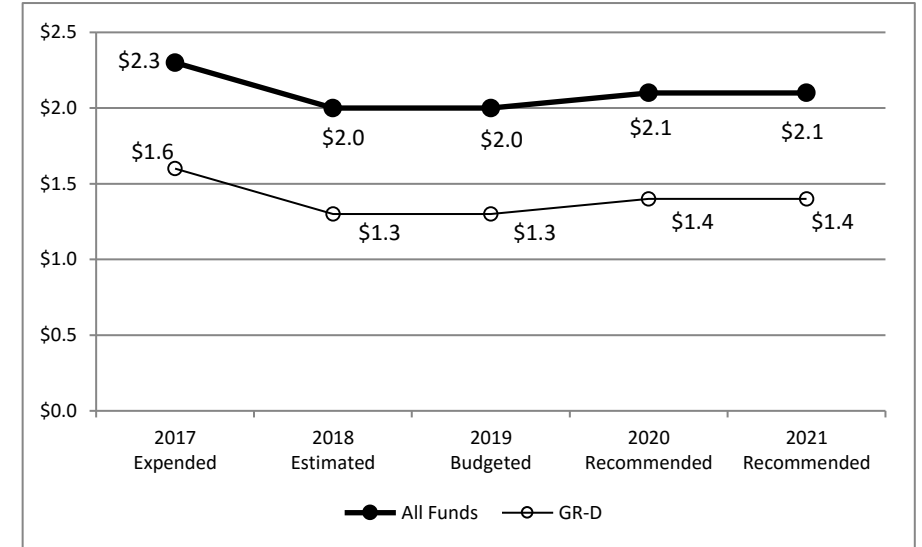
Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$1,432,972	\$1,432,972	\$0	0.0%
GR Dedicated Funds	\$2,658,448	\$2,765,968	\$107,520	4.0%
<i>Total GR-Related Funds</i>	<i>\$4,091,420</i>	<i>\$4,198,940</i>	<i>\$107,520</i>	<i>2.6%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$4,091,420	\$4,198,940	\$107,520	2.6%

	FY 2019 Budgeted	FY 2021 Recommended	Biennial Change	Percent Change
FTEs	10.0	10.0	0.0	0.0%

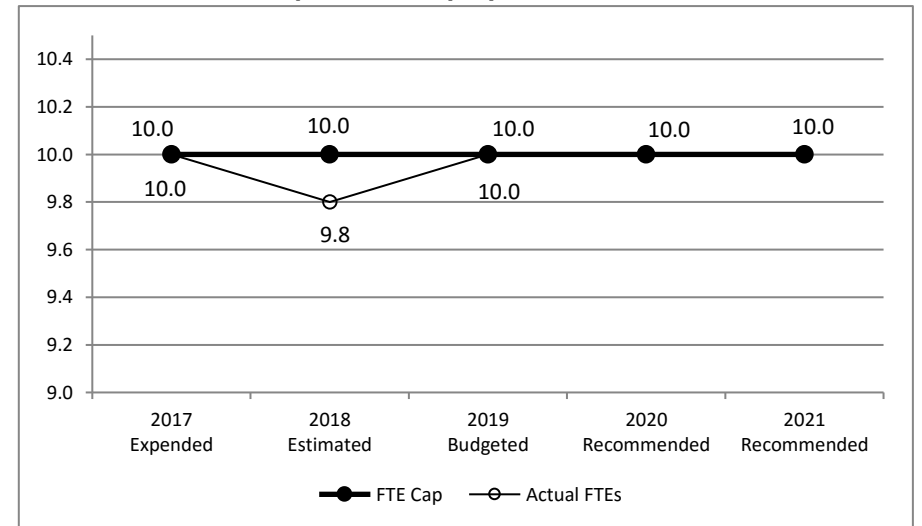
The Texas Emergency Services Retirement System provides retirement, survivor, and disability benefits for volunteer fire and emergency departments across the state. The state's contribution to the System is from General Revenue-Dedicated Volunteer Fire Department Assistance Account No. 5064.

The bill pattern for this agency (2020-21 Recommended) represents an estimated 3.0% of the agency's estimated total available funds for the 2020-21 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



**Texas Emergency Services Retirement System
Summary of Funding Changes and Recommendations - House**

Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>						
A) Increase the state's contribution to the System's fund.	\$0	\$107,520	\$0	\$0	\$107,520	A.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations	\$0	\$107,520	\$0	\$0	\$107,520	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>	\$0	\$107,520	\$0	\$0	\$107,520	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>	\$0	\$0	\$0	\$0	\$0	As Listed

**Texas Emergency Services Retirement System
Selected Fiscal and Policy Issues - House**

1. **State Contributions to the Fund.** Government Code Sec. 865.015 requires that the state contribute the amount necessary to make the Texas Emergency Services Retirement System Fund actuarially sound, but the amount may not exceed one-third of contributions from local member departments. Recommendations for the 2020-21 biennium include annual contributions of \$1,382,984 from General Revenue-Dedicated Volunteer Fire Department Assistance Account No. 5604.

The contribution amount is calculated as one-third of the average of member department contributions of the previous five years, intended to capture historical contributions and remove anomalies due to onetime increases or decreases. Accordingly, the 2020-21 recommended amount includes the annual contribution and base amount from 2018-19, \$1,329,224, as well as the agency's first exceptional item request, \$53,760 per year, due to the increasing member department contributions. This additional amount was included in recommendations before the results of the fiscal year 2018 actuarial valuation were available.

If standard Part One member department contributions and state contributions together are not sufficient to bring the system's funding period to an actuarially sound 30 years, member departments may be required to provide additional Part Two contributions, up to 15 percent of Part One contributions. This additional Part Two contribution is not included in the calculation of the state's maximum contribution. In December 2016, the agency increased member department contributions by two percent for fiscal years 2018-19 in order to maintain actuarial soundness.

The System's fiscal year 2018 actuarial valuation was completed in November and found that with expected Part One contributions from member departments, the state's maximum annual contribution would be needed for 24 years in order to have a 30-year amortization period. The valuation assumed that the state's contribution would be the base of \$1,329,224 in fiscal years 2019, 2020, and 2021. As a result, the agency will not require additional Part Two contributions from local member departments in 2020-21 and the Legislature may wish to adjust the recommendations to the base amount, which would reduce the General Revenue-Dedicated appropriation by \$107,520.

**Texas Emergency Services Retirement System
Items Not Included in Recommendations - House**

		2020-21 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2022-23
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Items Not Included (in agency priority order)							
1)	Pension System Cybersecurity. Agency is requesting funding to contract with cybersecurity firms to perform several functions to protect members' confidential information. The fiscal year 2019 budget for the System's trust fund 0976 includes expending \$80,000 on cybersecurity. The trust fund expended \$23,400 and \$34,500 on cybersecurity in fiscal years 2017 and 2018 respectively.	\$170,000	\$170,000	0.0	Yes	Yes	\$200,000
2)	Investment and Financial Accounting Outsourcing. The agency is requesting funding to outsource annual financial reporting and investment accounting functions upon retirement of the Chief Financial Officer. In the fund's 2019 budget, the board approved expending \$38,000 on this function.	\$73,000	\$73,000	0.0	No	Yes	\$80,000
TOTAL Items Not Included in Recommendations		\$243,000	\$243,000	0.0			\$280,000

**Texas Emergency Services Retirement System
Appendices - House**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	6
B	Summary of Federal Funds	*
C	FTE Highlights	7
D	Performance Measure Highlights	*
E	Summary of Ten Percent Biennial Base Reduction Options	8

* Appendix is not included - no significant information to report

**Texas Emergency Services Retirement System
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS**

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
ADMINISTER PENSION FUND A.1.1	\$3,849,500	\$3,957,020	\$107,520	2.8%	Recommendations increase the state's contribution to the System's trust fund, bringing the state's total to one-third of contributions from local member departments, which is the maximum allowed by statute. State contributions are from General Revenue-Dedicated.
RECRUITING AND TECHNICAL ASSISTANCE A.2.1	\$241,920	\$241,920	\$0	0.0%	
Total, Goal A, SOUND PENSION FUND	\$4,091,420	\$4,198,940	\$107,520	2.6%	
Grand Total, All Strategies	\$4,091,420	\$4,198,940	\$107,520	2.6%	

**Texas Emergency Services Retirement System
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2017	Estimated 2018	Budgeted 2019	Recommended 2020	Recommended 2021
Cap	10.0	10.0	10.0	10.0	10.0
Actual/Budgeted	10.0	9.8	10.0	NA	NA

Schedule of Exempt Positions (Cap)					
Executive Director, Group 2	\$101,047	\$109,599	\$109,599	\$109,599	\$109,599

Notes:

a) The State Auditor's Office Report *Executive Compensation at State Agencies* (Report 18-705, August 2018), indicates a market average salary of \$125,080 for the Executive Director position at the Texas Emergency Services Retirement System. The report also recommends changing the salary classification group from 2 to 3. The agency is not requesting any changes to its exempt position.

**Texas Emergency Services Retirement System
Summary of Ten Percent Biennial Base Reduction Options - House**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
1)	Reduction to Agency Administration; One FTE reduction	In order to achieve the 10 percent savings target, the agency would do across-the-board reductions. Each 2.5 percent increment would be 0.25 FTEs and \$35,824 in General Revenue from the system's administrative functions and \$66,462 in General Revenue-Dedicated from the state's contribution to the fund. Administrative and staff reductions would be to staff travel, temporary services, and other operating expenses. Contributions to the fund that the state does not make would need to be replaced by member departments in order to achieve actuarial soundness.	\$409,142	\$409,142	1.0	\$0	10%	\$4,091,420	No
TOTAL, 10% Reduction Options			\$409,142	\$409,142	1.0	\$0			